

The Utility Regulator's Social Action Plan 2009-2014

Consultation Paper

NIE Energy Supply's Response

20 March 2009



Introduction

NIE Energy Supply (NIEES) welcomes the opportunity to comment on the Utility Regulator's Social Action Plan. With increased focus on global energy costs and the current economic climate, it is timely to consider the services provided for vulnerable customers and particularly the issue of fuel poverty.

NIEES has responded to the specific questions raised by NIAUR. Comments have also been provided on other issues raised which are not covered by specific questions.

NIE Energy response

NIEES takes its Social Action responsibilities extremely seriously and has a long history of developing best practice in this area which takes the company beyond its regulatory obligations eg discounts for prepayment customers, removing standing charges.

Much of NIAUR's paper focuses on the issue of fuel poverty and NIEES agrees that this emphasis is appropriate. However not all vulnerable customers are fuel poor and a range of issues addressed in the Social Action Plan context do not necessarily relate to fuel poverty. We therefore need to ensure that vulnerable customers are facilitated to enable full access to utility services as well as tackling fuel poverty issues.

Question 1

Respondents are asked to comment on the impact of this paper with regard to equality of opportunity and good relations.

Protecting vulnerable customers is important, particularly in the context of the provision of heat, power and water.

NIEES takes its responsibilities to relation to Social Action Plan very seriously however electricity is not the main fuel/source of heating for the vast majority of homes in Northern Ireland. Whilst acknowledging that NIAUR has no remit in the oil industry, this sector has shown little responsibility to put in place similar provisions to the gas and electricity sectors to date and efforts should be made to improve equality of opportunity for the 70+% of homes in Northern Ireland who rely on oil for heating.

Defining the problem

NIEES welcomes a review of vulnerability and particularly in defining those who are likely to be vulnerable in the context of fuel poverty.

Whilst fuel poverty is a major issue in Northern Ireland and undoubtedly fuel poor households are vulnerable, there are vulnerable households who may not be fuel poor eg vulnerable through ill health, or inability to manage their finances.

Question 2

Respondents are asked their views as to whether we have considered all the characteristics that may contribute to or intensify vulnerability.

In terms of general vulnerability in the context of utility services, we believe that the characteristics outlined provide a comprehensive overview of vulnerability for householders although they do not consider the energy efficiency condition of the actual property.

The energy efficiency characteristics of the property are particularly important in the context of fuel poverty. Brenda Boardman, in her recent presentation at the NEA Fuel Poverty Conference, was very clear that fuel poverty is a result of two main issues:

1. Low income
2. Energy inefficient housing (low SAP rating)

NIEES strongly supports this view in the fuel poverty context and has been working over the years to target low income individuals and families living in inefficient housing and provide 'whole house' packages of energy efficiency interventions.

NIEES agrees that the current '10% of income' definition of fuel poverty does not provide sufficient detail to allow activity to be directed to those who are most fuel poor.

Adopting the approach which combines income (and potentially other vulnerability criteria) and house condition (or SAP rating) also enables limited resources to be effectively targeted.

NIEES offers a Customer Care Register which provides a range of services from 'doorstep services' to talking bills. Whilst take up is modest, the services offered are an important aspect of enabling customers with particular requirements to access utility services.

Question 3

Respondents are asked to what extent they believe critical care provision could be improved. In particular respondents are asked to what extent similar emergency provisions in the event of a disruption to supply are required for gas. In responding, it would be useful if specific improvements could be detailed and in particular details of medical conditions or life saving medical equipment that require a constant supply of gas could be given.

NIEES believes that the Critical Care Register offered by Northern Ireland Electricity provides a valuable service to a group of vulnerable customers who depend on electricity for medical equipment.

Financial vulnerability

Fuel poverty is recognised as a major issue in Northern Ireland. Low income households are much more likely to be fuel poor and recent increases in global energy costs only exacerbate the problem.

Income

Working with a number of partners, NIEES manages a benefit maximisation programme on behalf of NIE. To date, almost 6000 benefit entitlement checks (BEC) have been carried out through the 'For your benefit' programme, with a 40% success rate at identifying unclaimed benefits – an average of £39 extra per week. NIEES offers BECs to a range of customers including those receiving energy efficiency assistance and other customers who may be vulnerable eg those on the Customer Care Register. This important service forms part of a comprehensive package of support measures.

Energy efficiency

Energy inefficient homes are one of the key determinants of whether a customer, particularly a low income household is likely to suffer from fuel poverty. Making significant improvements in the energy efficiency of homes (Brenda Boardman recommends a SAP of 81) therefore will help both to reduce fuel poverty AND tackle climate change.

NIEES has undertaken significant levels of work and led the way in developing innovative packages of measures targeted at assisting fuel poor households, including the recent Hard to Treat homes pilot initiative.

NIEES contributed to the recent review of the Energy Efficiency Levy and outlined a number of concerns at the proposals included in NIAUR's consultant's report which we believe do not best serve customers.

NIEES also works closely with organisations such as the Energy Saving Trust advice centre, NEA and Northern Ireland Energy Agency to provide free and impartial energy efficiency advice to customers and deliver specific energy efficiency initiatives to low income customer. Examples of such initiatives are outlined below.

Brighter Homes is an NIEES initiative that aims to provide sheltered accommodation tenants with a home visit tackling energy efficiency issues and referrals to other schemes coupled with the physical installation of 4 low energy bulbs. The visits are carried out by a trained NIEA advisor and tenants are also offered a benefit entitlement check.

Hard to treat homes is a NIEES scheme designed to reduce the impact of fuel poverty by identifying alternative energy systems for low income hard to treat homes in rural, isolated or exposed areas.

Market redesign

Policies or market structures adopted in Northern Ireland can have little influence on world energy fuel prices which are the key determinant with respect to the prices charged by local energy retailers. However, in the context of electricity, much more can be done by the regulatory authorities (RAs) in Ireland with regards to developing improved hedging mechanisms that will help increase liquidity in the contract market within SEM and also enable suppliers to access more efficient wholesale prices in a way that limits any volatility in final prices.

The RAs can also play an important role in minimising transaction costs within SEM ie currency exchange costs and the cost of proving credit.

Mutualisation

NIEES urges that any proposal to mutualise energy infrastructure assets ensures that the operators act at all times in the best interests of customers, for example, returning any surpluses promptly.

Encouraging competition

NIEES has been actively contributing to NIAUR's consultation process on competition.

Social tariffs

Social tariffs have been introduced in GB to reflect that prepayment customers often get charged up to £100 extra per year. That is not in the case for NIEES keypad customers who receive a 2.5% discount.

NIEES welcomes NIAUR's review into exploring issues around social tariffs including: how they are funded; who would be the beneficiaries; how they would work effectively in competitive energy markets; and how they would facilitate assistance for the majority of households in Northern Ireland who rely on oil to provide home heating.

NIEES's view is that NIAUR should put in place the appropriate circumstances to facilitate competition and let markets deliver the most efficient and best outcomes. However recognising that some customers, even in the most efficient homes, will be fuel poor, government social policy intervention should provide timely support to low income households, particularly when commodity costs increase significantly.

Growing the gas network

The question of extending gas networks should be considered in the context of a regional economic strategy. NIEES suggests that a robust economic case would be required before imposing unnecessary costs on energy customers when, for example, other sustainable options such as biomass may provide a realistic alternative.

NIEES believes that there is still much work to do to increase penetration of natural gas amongst domestic customers in the existing and new ten towns networks. Current levels of penetration in the Phoenix greater Belfast network are 40% and Firmus have largely concentrated on new build and social housing to date. Therefore, NIEES suggests that the most cost effective option would be to encourage uptake in the existing gas areas. NIEES has successfully worked with Phoenix for several years through the Energy Efficiency Levy (EEL) to stimulate uptake of gas heating, however recent changes in NIAUR's EEL Framework make it less likely that such beneficial outcomes will be brought about this way.

Payment methods

Question 4

Respondents are asked to comment on whether they believe all customers have sufficient access to different payment methods offered by the utility suppliers. Respondents should list the barriers they perceive as preventing some vulnerable customers from accessing all payment methods.

NIEES offers a wide range of payment methods to suit customers' needs. In particular, unlike many utility companies, NIEES provides a 'pay as you go' option, Keypad, at a discount to the normal credit tariff. Customers in Great Britain often are charged around £100 more per year for prepayment options. All NIEES payment options are summarised in the table below.

Payment method	Description	Discount
Keypad Meter	Pay as you go keypad meters are ideal for those who prefer to budget weekly. Customers can buy top-ups from many local agents, over the telephone or on-line.	2.5% discount, unlimited
Monthly Saver	Pay an agreed amount by direct debit from bank/building society account every month	4% discount, saving up to £40 a year (£10 a quarter)
Quarterly Saver	Pay the full amount of each quarterly bill by direct debit from your bank/building society account	2.5% discount, saving up to £26 a year (£6.50 a quarter)
By Post -	By cheque payable to NIE Energy Ltd., with the bill tear-off slip in the freepost envelope provided.	None
Switch or Debit card	By phone through the Customer Helpline or on-line	None
Any Post Office	Cheques should be made payable to Post Office Ltd.	None
Any PayPoint or Payzone	Using cash at any paypoint or payzone outlet.	None

outlet		
Any bank	Bank of Ireland do not charge for this service but other banks may.	None
EasySaver	Pay as much as you wish at your local Paypoint, Payzone or Post Office using the plastic EasySaver card.	1.5% discount (certain criteria apply)
Budget Payment Scheme	Pay an agreed amount using the plastic Budget Payment Scheme card at your local Paypoint, Payzone or Post Office.	1.5% discount (certain criteria apply)
Fuel Direct	Portion of Social Security benefits paid to NIE. Deduction made up of (i) Fixed weekly amount to reduce arrears (ii) estimate of average weekly usage. No more than 25% of the customers total benefits can be deducted.	None

It is important to acknowledge that not all payment methods cost the same to manage and administer. NIEES is keen to ensure that the principle of cost reflectivity remains, allowing customers who opt for a lower 'cost to serve' billing and payment method to benefit from a discounted tariff.

Question 5

Respondents are asked to consider what measures, if any, need to be taken to ensure that pre-payment customers benefit equally from the introduction of retail competition in Northern Ireland.

The tariffs which suppliers may offer are likely to be based on commercial decisions and reflect the 'cost to serve'. In Northern Ireland, meters (including keypad) are provided by NIE through a common services provider arrangement which all suppliers have access to. There are therefore no market structure barriers to other suppliers offering competitive tariffs to prepayment meter customers.

Debt recovery

NIEES's priority is to prevent debt in the first instance. After that, the skilled debt team recognise quickly when problems arise and work with customers to help them manage their way out of debt in a sustainable way. This includes providing referrals for energy efficiency advice or a benefit entitlement check.

Question 6

Respondents are asked to comment on the merits of a harmonized approach in relation to helping vulnerable customers to avoid debt and to manage their way out of debt.

NIEES is willing to work with other suppliers to develop a harmonised framework for dealing with debt. NIEES would however wish to retain a degree of independence to ensure freedom to deliver best practice in debt management and the flexibility to respond to commercial contexts.

Self disconnection

NIEES does not disconnect domestic customers at any time unless fraud is involved.

Question 7

The Utility Regulator acknowledges the concerns of stakeholders around self-disconnections. Respondents are asked to comment on what should be done to prevent vulnerable customers self-disconnecting for reasons of financial hardship.

The issue of self disconnection is one which the Consumer Council tackled several years ago in their 'In Control' report. This acknowledged that the majority of customers have a very positive experience with their keypad meter. However, whilst some customers self disconnect because they have forgotten to top-up, for some customers, self disconnection as a result of financial hardship is a more serious issue.

NIEES has put in place strategies to help with this issue:

- Friendly credit: customers do not disconnect after 4pm through to 8am the following morning, or at any time after 4pm on Friday through to Monday morning, or during bank holidays.
- Extended friendly credit: customers can choose to extend the friendly credit hours until 11 am, allowing additional time in the mornings for example, to get children to school.

Without interrogating individual meters, NIEES does not know which customers self disconnect. However, tackling fuel poverty, particularly those low income customers living in inefficient homes will help to reduce energy requirements, and benefit entitlement checks will help customers to ensure that they are claiming their full benefits.

NIEES also acknowledges that for some customers, prepayment is not a suitable payment option, particularly for those who cannot manage their financial affairs. For these customers alternative options include the Carer's Contact Service (part of NIEES's Customer Care Register) or Fuel Direct.

Key issues going forward

NIEES welcomes a co-ordinated approach to ensuring that vulnerable customers are protected and that help is targeted at those who need it most.

Raising awareness

NIEES's customer helpline number is charged at local rates when calling from a BT landline.

Question 8

Respondents are asked to comment on what measures should be undertaken to raise awareness, and which organisation(s) should take the lead on these measures.

NIEES includes information on the range of services and support for vulnerable customers within bills and inserts. In addition, NIEES promotes the services through the customer helpline as well as with a wide range of stakeholder organisations such as RNIB, Age Concern, community groups and the many local fuel poverty action groups which exist throughout NI. NIEES also provides training on the services offered for vulnerable customers through the advice sector (Citizens Advice, Advice NI and EST).

NIEES believes that the advice sector, as well as utility companies, are the most appropriate channels to reach vulnerable customers. The advice sector is already funded by government and NIEES also works directly with various advice and voluntary sector organisations.

Forward Social Action Work Plan

Regulate home heating oil

Whilst acknowledging that NIAUR has no remit in the oil industry, this sector has shown little responsibility to put in place similar provisions to the gas and electricity sectors to date and efforts should be made to improve equality of opportunity for the 70+% of homes in Northern Ireland who rely on oil for heating.

Micro generation and heat

It is likely that alleviating fuel poverty will require extensive programmes of both energy efficiency and micro renewable installations. This is a perfect fit with government climate change policy. NIEES would therefore encourage government and regulatory policy to put in place a programme to accelerate work in this area, building on tried and tested delivery channels, with an immediate focus on low income households with a low SAP rating.

A heat obligation is also welcomed. With Northern Ireland's reliance on oil as a heating source, the development of a vibrant biomass market would potentially help to reduce exposure to volatile energy costs as well as reducing carbon emissions. This could be at a 'community' heating level or individual biomass installations.